

4-13-1979

## Taxation - Personal And Corporate Income.

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Office of the Secretary of State  
March Fong Eu

1230 J Street  
Sacramento, California 95814

Elections Division  
(916) 445-0820

September 18, 1979

TO: ALL COUNTY CLERKS/ REGISTRARS OF VOTERS  
FROM: CASHMERE M. APPERSON, Elections Technician

Pursuant to Elections Code Section 3520(b), you are hereby notified that the total number of signatures to the three hereinafter named proposed initiative constitutional amendments filed with all county clerks is less than 100 percent of the number of qualified voters required to find the petition sufficient.

SUMMARY DATE: April 13, 1979

PROPONENT: Charles W. Dailey

TITLES:

1. TAXATION - PERSONAL AND CORPORATE INCOME
2. INTEREST RATES - LOANS AND JUDGEMENTS
3. TAXATION - INSURANCE COMPANIES

The above petitions have failed and no further action is necessary.

Charles W. Dailey still has two very similar constitutional amendments in circulation, both having October 26, 1979 signature submission dates. The two active drives are for "Taxation - Personal and Corporate Income" and "Taxation of Persons, Corporations and Insurers" initiatives.

For Immediate Release  
September 18, 1979

Contact: Caren Daniels

#### FOUR INITIATIVE DRIVES FAIL SAYS MARCH FONG EU

SACRAMENTO -- Secretary of State March Fong Eu announced today (Sept. 18) the failure of four initiatives, dealing with various aspects of rent stabilization, taxation and interest rates, to qualify for the June 1980 statewide ballot.

The "Rent Stabilization Initiative," a statutory measure circulated by Dennis Kavanagh and the Golden State Mobilhome Owners League, Inc., needed 346,119 registered voter signatures by Sept. 17 to qualify. Earlier this week he notified the secretary of state's office that his drive had not been successful so no signatures would be submitted to the county election officials. The initiative had sought to set maximum rents based on those charged April 1, 1979, thereby limiting permissible rents on most types of rental units between Sept. 1, 1980 and July 1, 1984 except for recently executed fixed-term leases.

The other three defeated measures, sponsored by Charles W. Dailey of Covina, were constitutional amendments requiring 553,790 valid signatures. They included the "Interest Rates - Loans and Judgments," "Taxation - Insurance Companies," and "Taxation - Personal and Corporate Income" initiatives, and had Sept. 10 signature submission dates.

The interest rates measure would have amended the usury provisions of the constitution to maintain the seven per cent per year limitation on loan interest rates; extended the seven per cent limitation to court judgments; permitted parties to any loan to contract in writing for a rate of up to 12½ per cent per year; and extended the limitation to all types of organizations.

The insurance taxation measure would have eliminated the annual tax paid by insurance companies in lieu of state, county and municipal

(over)

taxes and licenses, and would have increased the number of legislative votes needed to increase insurance companies' tax rates.

The personal and corporate income tax proposal would have extended the educational institution tax exemption to religious institutions; established a nine per cent tax limit on taxable personal income; set a minimum nine per cent tax rate for corporations and eliminated certain of their credits and deductions; and specified tax deductions, credits and exemptions which the Legislature could have granted to persons or corporations.

*Charles W.* Dailey still has two very similar constitutional amendments in circulation, both having Oct. 26 signature submission dates. The two active drives are for "Taxation - Personal and Corporate Income" and "Taxation of Persons, Corporations and Insurers" initiatives, ~~which were announced to the public in a news release dated June 7.~~

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Office of the Secretary of State  
March Fong Eu

1230 J Street  
Sacramento, California 95814

Elections Division  
(916) 445-0820

April 13, 1979

TO ALL COUNTY CLERKS/ REGISTRARS OF VOTERS

Pursuant to Section 3513 of the Elections Code, there is transmitted herewith a copy of the Title and Summary prepared by the Attorney General on a proposed Initiative Measure entitled:

**TAXATION - PERSONAL AND CORPORATE INCOME  
INITIATIVE CONSTITUTIONAL AMENDMENT**

Circulating and Filing Schedule

1. Minimum number of signatures required ..... 553,790  
Constitution II, 8(b).
2. Official Summary Date ..... Friday, 4/13/79  
Elections Code Section 3513.
3. Petitions Sections:
  - a. First day Proponent can circulate  
Sections for signatures ..... Friday, 4/13/79  
Elections Code Section 3513
  - b. Last day Proponent can circulate and  
file with the county. All Sections are  
to be filed at the same time within  
each county ..... Monday, 9/10/79  
Elections Code Section 3513, 3520(a).
  - c. Last day for county to determine total  
number of signatures affixed to petition  
and to transmit total to Secretary of  
State ..... Monday, 9/17/79

(If the Proponent files the petition with the county on a date prior to 9/10/79, the county has 5 working days from the filing of the petition to determine the total number of signatures affixed to the petition and to transmit this total to the Secretary of State).  
Elections Code Section 3520(b).

- d. Last day for county to determine number of qualified electors who have signed the petition, and to transmit certificate, with a blank copy of the petition to the Secretary of State ..... Tuesday, 10/ 2/79

(If the Secretary of State notifies the counties to determine the number of qualified electors who signed the petition on a date prior to 9/17/79, the last day is not later than the fifteenth day after the notification). Elections Code Section 3520(d), (e).

- e. If the signature count is between 498,411 and 609,169 then the Secretary of State notifies counties using the random sampling technique to determine validity of all signatures.

Last day for county to determine actual number of all qualified electors who signed the petition, and to transmit certificate, with a blank copy of the petition to the Secretary of State ..... Thursday, 11/ 1/79

(If the Secretary of State notifies the counties to determine the number of qualified electors who have signed the petition on a date prior to 10/ 2/79, the last day is not later than the thirtieth day after the notification). Elections Code Section 3521(b), (c).

#### 4. Campaign Statements:

Last day for Proponent to file a Campaign Statement of Receipts and Expenditures for period ending 10/ 8/79 ..... Monday, 10/15/79

(If the Secretary of State finds that the measure has either qualified or failed to qualify on a date earlier than 9/10/79, the last date to file is the 35th calendar day after the date of notification by the Secretary of State that the measure has either qualified or failed to qualify. The closing date for this campaign statement is 7 days prior to the filing deadline). Government Code Section 84204.

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5. The proponent of the above named measure is:

Mr. Charles W. Dailey  
430 W. Adams Park Drive  
Covina, CA 91722

WILLIAM N. DURLEY  
Assistant to the Secretary of State  
Elections and Political Reform



CASHMERE M. APPERSON  
Elections Technician

CMA:rh

NOTE TO PROPONENT: Your attention is directed to Elections Code Sections 41, 44, 3501, 3507, 3508, 3516, 3517, and 3519 for appropriate format and type considerations in printing, typing and otherwise preparing your initiative petition for circulation and signatures. Your attention is further directed to the campaign disclosure and petition circulating requirements of the Political Reform Act of 1974, Government Code Sections 81000 et seq.

DECLARATION OF SERVICE BY MAIL

I, Elva Gonsalves, declare as follows:  
I am over the age of 18 years, and not a party to the within  
action; my place of employment and business address is  
555 Capitol Mall, Suite 350, Sacramento, California 95814.

On April 13, 1979, I served the attached  
letter addressed to Honorable March Fong Eu, Secretary of State,  
dated April 13,, 1979, re: Initiative Constitutional  
Amendment - Personal and Corporate Income,

by placing a true copy thereof in an envelope addressed to each  
of the persons named below at the address set out immediately  
below each respective name, and by sealing and depositing said  
envelope in the United States Mail at Sacramento, California,  
with postage thereon fully prepaid. There is delivery service  
by United States Mail at each of the places so addressed, or  
there is regular communication by mail between the place of  
mailing and each of the places so addressed:

Charles W. Dailey  
430 W. Adams Park Drive  
Covina, California 91722

I declare under penalty of perjury that the foregoing  
is true and correct.

Executed on April 13, 1979, at Sacramento, California.

Elva Gonsalves  
Declarant





State of California  
Department of Justice  
George Deukmejian  
(PRONOUNCED DUKE-MAY-GIN)  
Attorney General

555 CAPITOL MALL, SUITE 350  
SACRAMENTO 95814  
(916) 445-9555

April 13, 1979

**FILED**  
In the office of the Secretary of State  
of the State of California

**APR 13 1979**

MARCH FONG EU, Secretary of State

By Christopher M. Apperson  
Deputy

Honorable March Fong Eu  
Secretary of State  
1230 J Street  
Sacramento, California 95814

Attention: Rico Nannini

Re: Initiative Constitutional Amendment -  
Taxation - Personal and Corporate Income.

Dear Mrs. Eu:

Pursuant to the provisions of sections 3503 and 3513 of the Elections Code, you are hereby informed that on this day we mailed to Charles W. Dailey, as proponent, the following title and summary:

TAXATION - PERSONAL AND CORPORATE INCOME. INITIATIVE CONSTITUTIONAL AMENDMENT. Amends personal and corporate income tax provisions currently contained in article XIII, sections 26 and 27 of California Constitution. Extends present tax-exempt category of educational institutions to religious institutions. Specifies tax deductions, credits and exemptions which Legislature can grant to persons or corporations. Establishes a 9% tax limit on taxable personal income. Requires corporate income to be taxed at not less than 9% and eliminates certain credits and deductions for corporations. Allows Legislature to create certain classifications of tax-exempt organizations. Provides that effective date of amendment shall be January 1, 1981. Financial impact: Would reduce personal income taxes by more than \$4.5 billion, and increase bank and corporation taxes by more than \$250 million, resulting in net loss in state revenues of more than \$4 billion. No effect on state costs or local government revenues and costs.

Honorable March Fong Eu

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Enclosed herewith is a declaration of mailing thereof, and a copy of the proposed measure.

According to information available in our records, the address and phone number of the proponent of this measure are as stated on the declaration of mailing.

Very truly yours,

George Deukmejian  
Attorney General

*Susan P. Underwood*  
Susan P. Underwood  
Deputy Attorney General

SPU:ims

Enclosures

I propose that SECTIONS 26 and 27 of ARTICLE XIII of the Constitution of the State of California be repealed and the following amendment be incorporated as the new SECTION 26 of ARTICLE XIII.

#### SECTION 26

- A. Taxes on or measured by income may be imposed upon persons, corporations or other entities subject to the limitations and/or provisions of this section.
- B. Income of a non-profit educational or religious institution within the State of California is exempt from taxes on or measured by income if:
  - 1. It is not unrelated business income as defined by the Legislature, and,
  - 2. It is used exclusively for religious or educational purposes
- C. The Legislature, a majority of the membership of each House concurring, may tax personal income by any method not prohibited by this constitution or the Constitution or laws of the United States. Imposition of any such tax shall be subject to the following provisions and/or limitations:
  - 1. Tax shall be imposed upon the entire taxable income of residents of California and upon the taxable income of non-residents derived from sources within California. It shall apply to individuals, estates and trusts.
  - 2. The determination of the amount of taxable income and the application of the tax rate to such income shall be on an individual basis only. for purposes of this section, "individual" is defined as a natural person or an estate or a trust or a married couple. Where a husband and wife elect to be taxed on the basis of their combined income, the tax imposed shall be twice the tax which would be imposed if the taxable income were cut in half.
  - 3. The following are exempt from taxes upon income:
    - a. Proceeds from the sale of a single family dwelling which has been the principal residence of the individual for two out of the last four years preceding the date of the sale.
    - b. Proceeds from the sale of that portion of a multiple dwelling or commercial property which has been the principal residence of the individual for two out of the last four years preceding the date of the sale.
    - c. Amounts received as a gift, bequest or devise and upon which the donor has paid any applicable State or federal taxes.

4. The only credits which may be granted to reduce tax liability are:
  - a. Credit for excess State Disability Insurance payments.
  - b. Credit for taxes paid to other states.
  - c. Credit for overpayment of taxes in previous years.
  - d. Credit for overpayment of prepaid taxes.
  - e. Credit computed as a percentage of net tax liability. If such a credit is granted, it shall be general in scope and the same percentage rate shall be applied to each and every individual taxpayer.
5. No allowance, credit, deduction, exemption, offset or rebate designed or intended to reduce tax liability may be granted if such allowance, credit, deduction, offset or rebate is based in whole or in part upon any of the following:
  - a. Depletion of mines, oil and gas wells, other natural deposits or timber.
  - b. Accelerated depreciation of property held for the production of income or used in a business or trade.
  - c. Gain or loss from the sale or exchange of capital assets.
  - d. Any gift, donation or contribution made by the taxpayer.
6. Tax liability shall be computed as follows:
  - a. Determine tax rate by dividing taxable income by the current "Personal Income Tax Denominator".
  - b. Multiply taxable income by the lesser of:
    - (1) tax rate derived from (a) above, or
    - (2) 9% (nine percent).
7. For the taxable year commencing January 1, 1981, the "personal Income Tax Denominator" shall be 1,200,000 (one million, two hundred thousand). Every year thereafter the "Personal Income Tax Denominator" shall be adjusted upward or downward to correspond proportionally to any subsequent increase or decrease in per capita personal income in the State.
- D. The Legislature, a majority of the membership of each House concurring, may provide by law for the taxation of corporations, their franchises or any other franchises, by any method not prohibited by this Constitution or the Constitution or laws of the United States. Any tax on or measured by corporate income derived from or attributable to sources within the State shall be subject to the following limitations and/or provisions:
  1. The tax rate imposed on taxable income shall not be less than 9% (nine percent).
  2. No allowance, credit, deduction, offset or rebate designed or intended to reduce tax liability may be granted if such allowance, credit, deduction, offset or rebate is based in whole or in part upon any of the following:
    - a. Depletion of mines, oil and gas wells, other natural deposits or timber.

- b. Accelerated depreciation of property held for the production of income or used in a business or trade.
  - c. Any gift, donation or contribution made by the corporation.
  - d. Interest received on bonds issued by the Federal Government, the State of California or any other state or territory or municipality.
3. The Legislature, a majority of both Houses concurring, may classify any or all of the following types of organizations as "Tax Exempt Corporations" and enact legislation defining that part of each organization's income that is tax exempt:
  - a. Non-profit charitable, religious or educational organizations.
  - b. Non-profit clubs which are exclusively for pleasure or recreation.
  - c. Labor, agricultural or horticultural organizations.
  - d. Non-profit corporations holding title to property for the benefit of exempt corporations.
  - e. Teachers retirement associations.
  - f. Religious or apostolic organizations.
  - g. Federal Employees benefit associations.
  - h. Non-profit business leagues, civic leagues or chambers of commerce.
  - i. Trusts which provide for the payment of supplemental unemployment insurance compensation benefits.
  - j. Non-profit cemetery or crematory companies.
  - k. Fraternal organizations providing insurance benefits to their members or devoting earnings exclusively to charitable or fraternal purposes.
  - l. Homeowners' associations.
  - m. Political organizations
  - n. Trusts or plans which meet the requirements of the 1962 Federal Self-employed Individual Tax Retirement Bill.
4. With the exception of those organizations defined by the Legislature as "Tax Exempt Corporations", the tax shall be imposed on each and every corporation deriving income from, or attributable to, sources within the State. This shall include insurers and insurance organizations and state and national banks and their franchises.
- E. The provisions of this section shall supersede all provisions of this Constitution and laws enacted thereunder in conflict therewith and shall become effective January 1, 1981.
- F. If any subsection, paragraph, clause, phrase or word of this section, or the application thereof to any person or circumstance, shall for any reason be declared unconstitutional or held invalid, the remainder of this section, or the application of such subsection, paragraph, clause, phrase or word to other persons or circumstances shall not be affected thereby.